



DIRECTV.

A YEAR OF SUCCESS

A SELECTION OF

DIRECTV



PROGRAMMER CAMPAIGNS

.98

WELCOME TO DIRECTV

Welcome!

We're delighted that you could join us here today. Since many of you were already planning to attend the Western Show, this seemed like a great opportunity to get together.

First, we would like to say thanks for your support in helping us grow the DIRECTV business this past year. As it stands, we will end 1998 with approximately 4.5 million customers and we couldn't do it without your strong product and continued marketing support.

Tonight, we thought it would be fun to share a few highlights from 1998 and some thoughts on where we see the business going in 1999. As you can see from the examples in this program guide, the marketing partnerships we have formed are a valuable asset and we look forward to building upon our joint successes in the new year. We hope that you will take this guide back with you and share it with your associates.

On behalf of everyone at DIRECTV, thanks for coming and for helping to make DIRECTV the country's leading digital television service.

With Best Regards,



Eddy Hartenstein
President

1998 - WHAT A YEAR

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NFL SUNDAY TICKET™

OBJECTIVE

A retail acquisition campaign promoting DIRECTV as the exclusive mini-dish provider of NFL SUNDAY TICKET.

OFFER

\$200 of free programming to first-time customers who purchased a DIRECTV System and subscribed to Total Choice® PLATINUM and 1998 NFL SUNDAY TICKET.

TIMING

Timed to take advantage of NFL pre-season excitement, the promotion ran from August 5 through October 11.

TACTICS

DIRECTV recruited star NFL talent John Elway, Brett Favre, Jerry Rice and Troy Aikman for a \$12+ million national print and broadcast television advertising campaign that was integrated into retail point-of-sale materials, as well as DIRECTV monthly bill inserts, SEE guide, ON magazine and on-air promotion.

RESULTS

New customer subscriptions exceeded internal forecasts by approximately 40%.

A special thanks to our NFL partners: Tola Murphy-Baran, Phil Summers, Michelle Berry



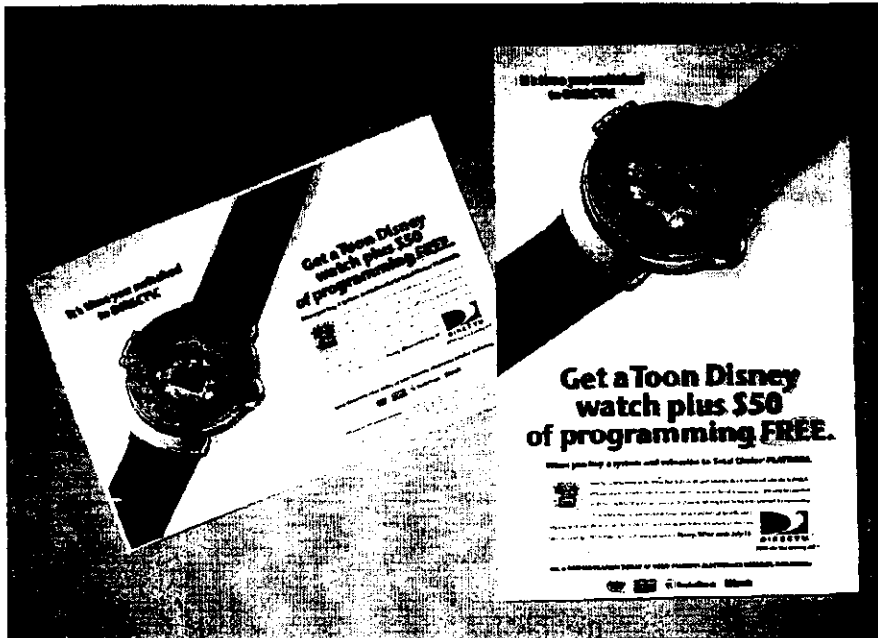
In-store POS including counter cards with offer tear pads, dish bursts, shelf danglers, table tents, buttons, schedules and programming tear pads.



Sampling of national print advertising.



One of 26,000 large retail standees for in-store high-traffic areas.



Sampling of national print advertising.



Toon Disney watch, DIRECTV programming certificates and in-store POS including counter card, dish burst, shelf dangler, TV topper and offer tear pad with programming information.



Toon Disney

OBJECTIVE

A national retail acquisition campaign to heighten awareness of Toon Disney on DIRECTV®

OFFER

A special limited-edition Toon Disney watch and over \$50 of free programming to first-time customers who purchased a DIRECTV System and subscribed to Total Choice® PLATINUM programming — \$125 total value.

TIMING

Timed to coincide with summer vacation family viewing, the campaign ran from June 18 through July 22.

TACTICS

A \$4+ million national print media campaign coupled with weekly circular and print advertising by retailer accounts created over 500 million impressions.

RESULTS

New customer subscriptions exceeded goals by 22%.

A special thanks to our Toon Disney partners:
Doug Miller, Adam Sanderson,
Heidi Kassal, Judi Lopez,
Allison Conley

CURRENT CUSTOMER MARKETING

Platinum Presents

OBJECTIVE

To educate our customers about DIRECTV® programming packages and to highlight the sponsoring programmer — which generates network awareness and encourages tune-in.

OFFERS

Platinum Presents highlights an auto-entry sweepstakes with the participating programmer, and features behind-the-scenes network coverage.

TIMING

Each 1/2-hour show runs 24 hours a day, seven days a week, on four channels for an entire month.

TACTICS

Sponsoring programmer is highlighted in the show, and receives an advertising page in our monthly billstuffer and *SEE* guide, plus a DIRECTV website banner.

RESULTS

The on-air show attracts a 35% tune-in rate and an average viewing length of over 12 minutes. This means that almost 1.5 million customers are watching, and 3/4 of them tune in to the show two or more times per month.

[illegible]

June TBS Superstation SEE guide & DIRECTV billstuffer ad.


THE 1995 CABLE NEWS PRESENTS 1995 SPONSORS			
PROGRAMMER	NAMES		MONTH
MTV Networks	Tony Dunaif	Meg Lowe	January
MuchMusic	Helen Perin		February
Encore	Berto Guzman	Desiree Pintus	March
Independent Film Channel	Joe Cantwell	Deborah Benson	April
The Golf Channel	Nicci Fry		May
TBS Superstation	Coleman Breland	Heather Baldino	June
USA Networks	Cara Conte		July
Disney Channel	Adam Sanderson	Judi Lopez	August
FOX Sports Net	Kevin Smith	Justin Hibbs	September
Encore	Berto Guzman	Desiree Pintus	October
Food Network	Pam Treacy	Tricia Melton	November
MuchMusic	Helen Perin	Scott Perlmutter	December

CURRENT CUSTOMER MARKETING

Bravo & IFC

SEE GUIDE ON PAGE 100

If you already enjoy the critically-acclaimed films and arts on Bravo, then you'll be sure to like the films with uncompromising style, character and style from the Independent Film Channel (IFC). And step up to PLATINUM and you'll add IFC to your lineup along with 13 other award-winning movie channels.



SEE
The Film and Arts Network
Channel 287

- Award-Winning Films
- The Best of the Festivals
- Repeat Original Programs like *The Artist*

IFC
real films by real filmmakers for real film fans
Channel 288

- The Best Independent and Foreign Features
- Serial, Documentary-Film & TV Series a Day
- Program Additions include *Top Gun*, *North Country*, *Let's Go with the Dude*

Be sure to tune to Platinum Presents on Channel 287 for a special behind-the-scenes look at these two exciting networks.

Bravo AND IFC ON DIRECTV.

Call 1-800-547-4368 and step up to PLATINUM!

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April Bravo/Independent Film Channel SEE guide & DIRECTV billstuffer ad.

see what's sizzling on food network!

emeril live

food network ON DIRECTV


FOR A SPICY LOOK AT EMERIL'S FAMOUS NEW ORLEANS RESTAURANT, TUNE TO PLATINUM PRESENTS ON CHANNEL 287!

two fat ladies

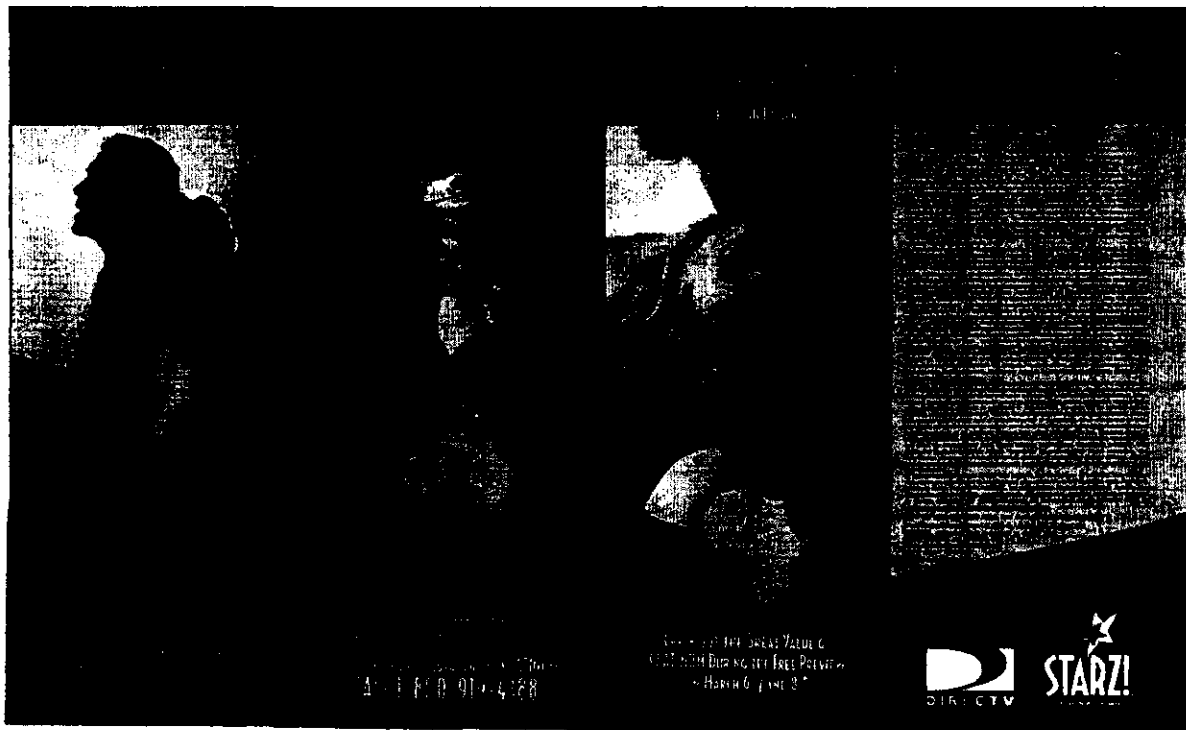
cooking live

Join the fun and tuning in to cooking!

For more information, visit us at www.foodnetwork.com



November Food Network SEE guide & DIRECTV billstuffer ad.



SEE GUIDE ON PAGE 100

1-800-547-4368

SEE THE GREAT VALUE OF DIRECTV DURING THE FREE TRIAL PERIOD - HARBOUR JUNE 8

DIRECTV STARZ!

March STARZ! Sweepstakes SEE guide & DIRECTV billstuffer ad.

NATIONAL RETAILER - SPECIFIC PROMOTIONS



USA Network/RadioShack

OBJECTIVE

Drive traffic to RadioShack to purchase DIRECTV® and create tune-in messages for the USA Network "Sunday Night Heat" lineup.

OFFER

USA Network beach chair and cooler with purchase — \$50+ value.

TIMING

July 2 through August 1, 1998.

TACTICS

USA Today and RadioShack circular ads plus RadioShack direct mail generated over 50 million impressions, and POS materials were displayed in nearly all 6,500 RadioShack locations.

RESULTS

DIRECTV System sales increased 82% during promotion.

A special thanks to our USA Network partners:
Peter Ruben, Cara Conte



USA Network beach chair, cooler, *USA Today* ad and in-store POS counter card with gift certificate.



Cartoon Network/Kmart

OBJECTIVE

Drive traffic to Kmart to purchase DIRECTV® and create awareness of a new Cartoon Network series — "The Powerpuff Girls."

OFFER

A set of six original Cartoon Network animated videos and keepsake carrying case created and packaged exclusively for DIRECTV and available with purchase — \$100 value.

TIMING

Timed to take advantage of the holiday selling season, promotion runs from November 15 through December 31, 1998.

TACTICS

Two half-page ads in *USA Today* plus ads in three separate Kmart circulars will generate over 263 million impressions, and POS materials are currently being displayed in over 2,000 store locations.

A special thanks to our Cartoon Network partners:
Coleman Breland, Heather Baldino, Juliet Jatcko



Six Cartoon Network videos with carrying case and in-store POS counter card with gift certificate.

NATIONAL RETAILER - SPECIFIC PROMOTIONS



Nickelodeon/Kmart

OBJECTIVE

Drive traffic to Kmart to purchase DIRECTV® and create awareness of Nickelodeon family programming.

OFFER

Free pair of Nickelodeon in-line skates and safety gear with purchase — \$80 value.

TIMING

Timed to take advantage of back-to-school excitement, campaign ran from September 18 through October 3, 1998.

TACTICS

USA Today ads plus Kmart Sunday circulars generated over 90 million impressions, and POS materials were displayed in over 2,000 Kmart locations.

RESULTS

DIRECTV System sales increased 16% over previous month during promotion.

A special thanks to our Nickelodeon partners:
Christine Sheehan, Tony Dunaif, Meg Lowe,
Gabby Goodman



Nickelodeon in-line skates, *USA Today* ad, Kmart circular ad and in-store POS shelf talker with gift certificate.



TCM/Circuit City

OBJECTIVE

Drive traffic to Circuit City to purchase DIRECTV® and promote TCM special features "Movies from Around the World."

OFFER

Exclusive "On Location" sweepstakes included the chance to win a trip to South America, Europe or the Orient to highlight titles from Turner Classic Movies library — *Now Voyager*, *An American in Paris* and *The Good Earth*.

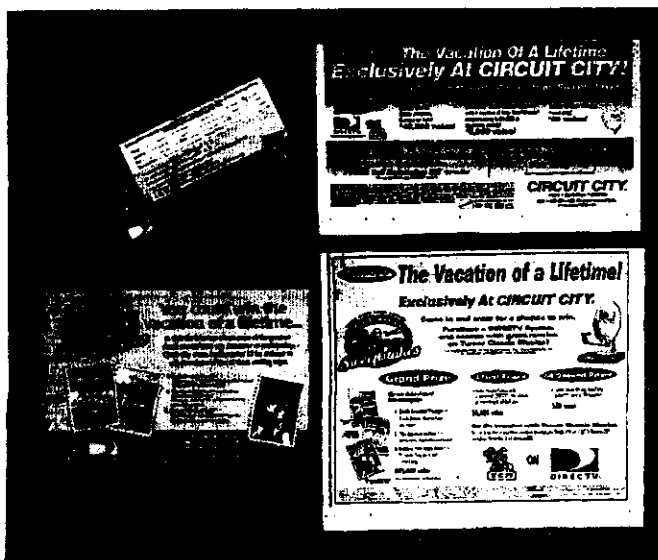
TIMING

Timed to coincide with the TCM showing of "Movies from Around the World," promotion ran from October 23 through November 13, 1998.

TACTICS

Three *USA Today* ads plus a Circuit City Sunday insert generated 50 million impressions, and POS included posters and 30-second TCM promotional spots running throughout the promotion on in-store monitors in over 600 Circuit City locations.

A special thanks to our TCM partners: Coleman Breland, Heather Baldino, Juliet Jatcko



USA Today ads and in-store POS including TCM sweepstakes entry form.

REGIONAL RETAILER- SPECIFIC PROMOTIONS



ESPN/Multi-Regional

OBJECTIVE

Drive traffic to three separate retailers in three select markets to purchase DIRECTV®, promote the \$79 ESPN FULL COURT College Basketball Early Bird price point and highlight the ESPN family of seven networks.

OFFERS

Nobody Beats the Wiz and ABC Warehouse customers entered to win an all-expense-paid trip for four to Disney World and Disney's Wide World of Sports in Orlando, Florida.

Now Audio Video customers received a free Pro Player Reversible Jacket with purchase.

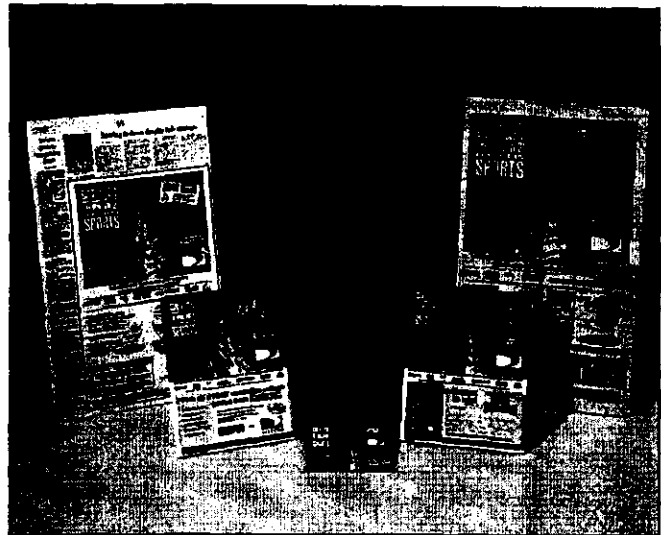
TIMING

Timed to advertise the \$79 ESPN FULL COURT College Basketball Early Bird price point, promotion ran from October 25 through November 21, 1998.

TACTICS

Print ads, heavy radio advertising, bill inserts and in-store POS materials were displayed in over 70 store locations.

A special thanks to our ESPN partners:
Madeline Berger, Nicky Mussenden, Skip Desjardin,
E.J. Conlin, Barbara Waters



Pro Player jacket, print ads, bill insert and POS counter cards with gift certificates.



THE GOLF CHANNEL®

The Golf Channel/Paul Rosa's

OBJECTIVE

Drive traffic to Paul Rosa's in Buffalo, New York, to purchase DIRECTV® and introduce a new Golf Channel full-length documentary on Arnold Palmer.

OFFER

A \$50 gift certificate to the Springbrook Pro Shop plus a free self-installation kit valued at \$50 or a \$100-off professional installation with purchase.

TIMING

October 4 through October 28, 1998.

TACTICS

Print ads, in-store training and POS at five store locations, plus a sales incentive program.

A special thanks to our Golf Channel partners:
James Bates, Nicci Fry, Paula Hersh



Print ad and in-store POS counter card with gift certificate.

REGIONAL RETAILER - SPECIFIC PROMOTIONS



The Weather Channel/the good guys!

OBJECTIVE

Drive traffic to the good guys! to purchase DIRECTV® and leverage full-time carriage of The Weather Channel in the Southern California market.

OFFER

\$99 installation with purchase. Weather Channel T-shirts, DIRECTV duffel bags and several DIRECTV Systems were given away as promotional prizeing.

TIMING

July 1 through July 31, 1998.

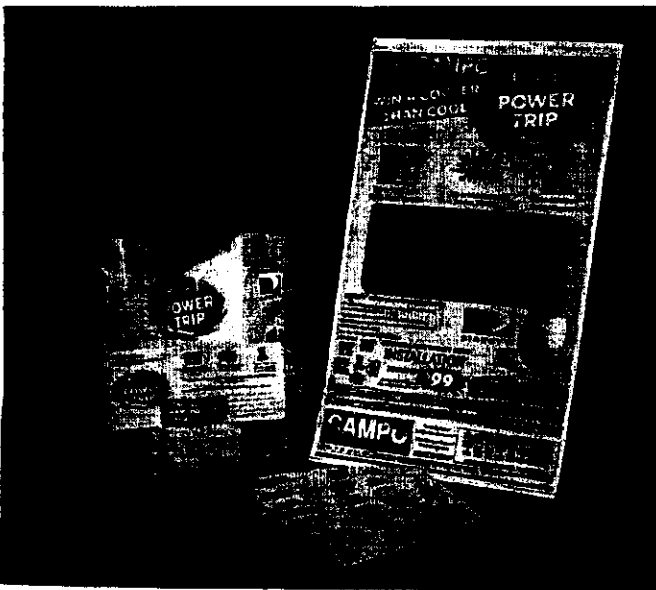
TACTICS

Print advertising in three Los Angeles County newspapers generated nearly six million impressions; a 200-spot radio promotion with three stations gave away premium items; over 200 bus signs generated over 18 million impressions; and POS materials were displayed in over 20 store locations.

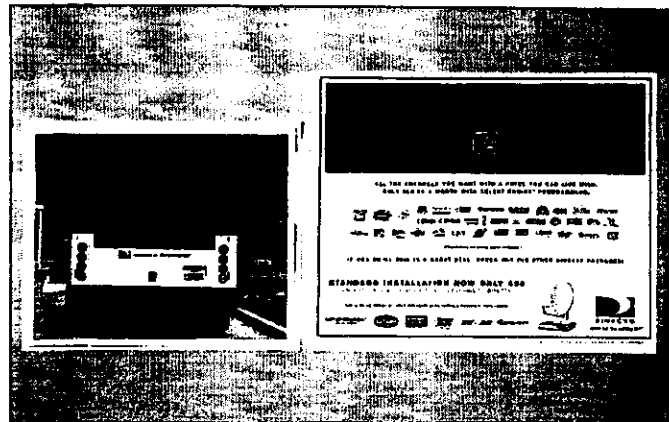
RESULTS

DIRECTV System sales increased 26% during promotion.

A special thanks to our Weather Channel partner:
Bill Fogarty



In-store POS counter card with entry form and print ad.



Bus tail-light poster and print ad.



MTV Networks/Multi-Regional

OBJECTIVE

Drive traffic to retail in four separate markets simultaneously to purchase DIRECTV® and promote MTV, VH1 and Nickelodeon networks.

OFFER

Tops Appliance City, Campo, Sun TV and Sound Advice all participated in the "MTV Power Trip" sweepstakes offering three winners a choice of a trip to the MTV Video Awards, a trip to Nickelodeon Studios or a trip to the VH1 Fashion Awards — \$15,000 total prize value.

In addition, DIRECTV and MTV supported all offers with a \$99 professional installation and/or a free self-installation kit, a \$99 second receiver and a free off-air antenna.

TIMING

July 12 through August 1, 1998.

TACTICS

Print ads and heavy radio advertising, POS materials in over 100 store locations plus a sales incentive program and training.

RESULTS

DIRECTV System sales increased an average of 20% during promotion.

A special thanks to our MTV partners:

Christine Sheehan, Tony Dunaif, Meg Lowe, Lori Raimondo, Todd Schoen, Gabby Goodman, Jean Butcher

PAY PER VIEW MARKETING

DIRECTV Exclusive Sweepstakes

OBJECTIVE

Generate excitement and awareness for DIRECTV TICKET® movies.

OFFERS & TIMING

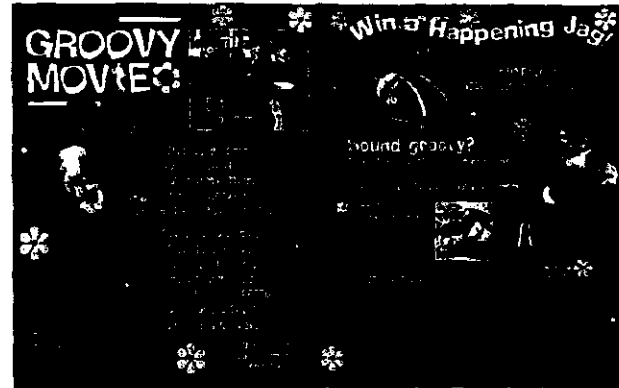
Auto-entry for chance to win with PPV movie order. Alternate entry with postcard. See individual sweepstakes prizes and timing listed below.

TACTICS

One or more of the following — on-air spots, DIRECTV billstuffer, *USA Today* ad, *SEE* guide advertising and website posting.

RESULTS

Average sweepstakes participation is estimated at a half-million auto-entries.

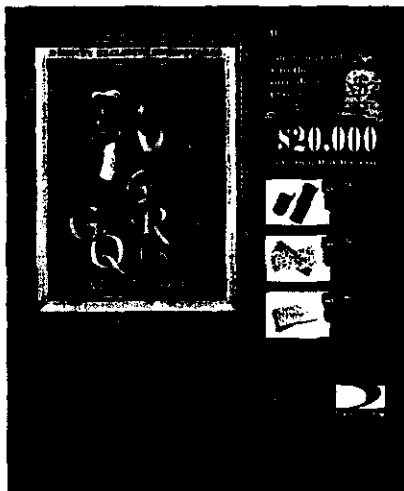


December 1997 DIRECTV billstuffer ad spread.

New Line Cinema/Austin Powers "Groovy Movie" Sweepstakes

- December 1997 promotion
- Exclusive Grand Prize: The 1968 Jaguar shown in the film — \$22,000 value

A special thanks to our New Line Cinema partners:
David Spiegelman, Christine Manna



July 1998 *SEE* guide ad.

Universal Studios/For Richer or Poorer "Get Rich Quick" Sweepstakes

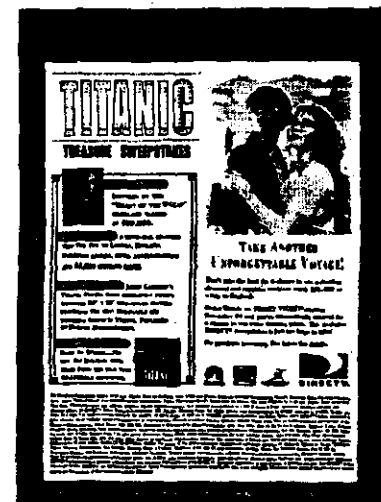
- July 1998 promotion
- Exclusive Grand Prize: \$20,000 in cash

A special thanks to our Universal Studios partner:
Holly Leff-Pressman

Paramount/"Titanic Treasure" Sweepstakes

- November/December 1998 promotion
- Exclusive Grand Prize: \$25,000 Sapphire and Diamond Necklace inspired by the "Heart of the Ocean"

A special thanks to our Paramount partners: Stephanie Morton,
Tanya Lach, Dawn Bursteen



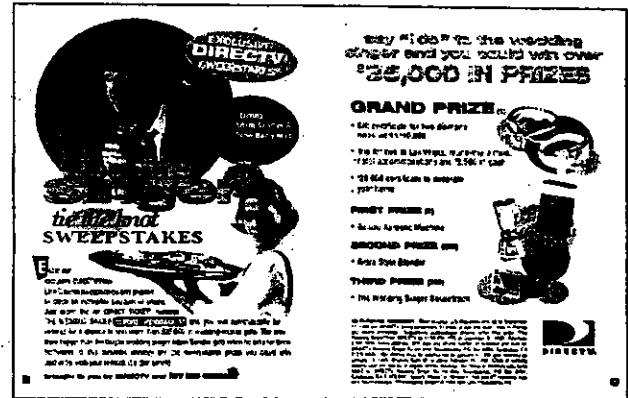
December 1998 *SEE* guide ad.

PAY PER VIEW MARKETING

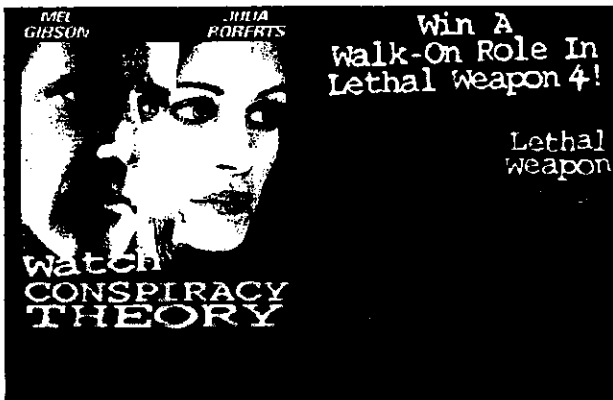
New Line Cinema/The Wedding Singer "Tie the Knot" Sweepstakes

- September 1998 promotion
- Exclusive Grand Prize: \$10,000 certificate for his & hers diamond rings, trip for two to Las Vegas, including airfare, hotel and \$2,500 cash, and a \$20,000 gift certificate to decorate your home — total value \$35,000.

A special thanks to our New Line Cinema partners:
David Spiegelman, Christine Manna



September 1998 DIRECTV billstuffer ad spread.



March 1998 DIRECTV billstuffer ad spread.

Warner Bros./Conspiracy Theory/Lethal Weapon 4 Sweepstakes with Mail-In Entry

- February/March 1998 promotion
- Exclusive Grand Prize: Win a walk-on role in *Lethal Weapon 4* plus a private screening in your local theater.

A special thanks to our Warner Bros. partners:
Christine Williams Labrecque, Pamela Shapiro-Schloss,
Ernie Johnston

Lethal Weapon 4/Circuit City Retail Promotion

OBJECTIVE

Drive traffic to Circuit City to purchase DIRECTV®, generate awareness for the upcoming theatrical release of *Lethal Weapon 4* and promote Warner Bros. pay per view movies on DIRECTV.

OFFER

Exclusive "Go Hollywood!" Sweepstakes gave winner a trip for two to the L.A. premiere of *Lethal Weapon 4*, including airfare, hotel, passes and a post-premiere party invitation — \$5,000 total prize value.

TIMING

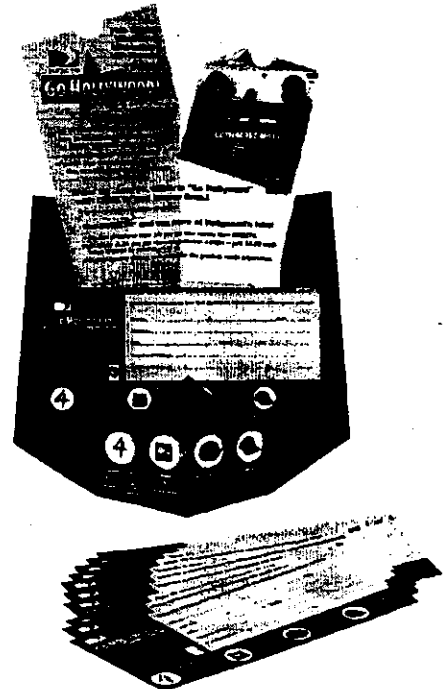
May 23 through June 14, 1998.

TACTICS

Print and Circuit City circular ads that generated 126 million impressions, 10-city radio promotion with on-air *Lethal Weapon 4* pricing and POS in the 600 store locations.

RESULTS

DIRECTV System sales increased 81% during promotion.



In-store POS counter card with entry forms.

PAY PER VIEW MARKETING

Exclusive Event — Shania Twain in Concert

The concert was used as part of a Current Customer and a National Retail marketing campaign.

Current Customer Campaign

OBJECTIVE

To reinforce programming differentiation and increase customer loyalty and retention.

OFFER

Shania Twain's world premiere concert was broadcast live, exclusively and free to current DIRECTV® customers.

TIMING

Live concert on September 12, 1998, with replays through the end of the month.

TACTICS

DIRECTV billstuffer, *SEE* guide and *ON* magazine advertising and a 24-hour Shania Twain promotional channel (special thanks to CMT for video bios).

National Retail Campaign

OBJECTIVE

Drive traffic to Best Buy to purchase DIRECTV® and promote concert.

OFFER

\$100 worth of Best Buy coupons and a set of CDs.

TIMING

August 3 through September 12, 1998.

TACTICS

National advertising in *People*, *Entertainment Weekly*, *Rolling Stone* and *USA Today*, plus Best Buy circular ads generating over 33 million impressions, over 300 Westwood One syndicated radio broadcasts and POS materials displayed in over 300 Best Buy store locations.

RESULTS

DIRECTV System sales increased 194% during promotion.



Shania Twain.



In-store standee.

COMMERCIAL MARKETING

Exclusive Event — Shania Twain in Concert

OBJECTIVE

To reinforce programming differentiation, increase customer loyalty and add new bar and restaurant locations.

OFFER

Shania Twain's world premiere concert was broadcast live, exclusively and free to over 100 select commercial bar and restaurant customers.

TACTICS

Local radio promotions, on-site marketing kits to country western bars and live satellite uplinks that enabled the bar promotion to be incorporated into the live show.

RESULTS

The radio/bar promotion resulted in many new commercial accounts for DIRECTV.



Bar poster, print ad, SEE magazine ad and VIP pass.

Additional Commercial Marketing Strategy

More and more commercial establishments have found the value of offering DIRECTV sports subscriptions like NFL SUNDAY TICKET™, NBA LEAGUE PASS, MLB EXTRA INNINGS™, NHL® CENTER ICE®, ESPN FULL COURT and ESPN GamePlan to their customers. Special events like wrestling packages from the WWF and WCW plus major professional boxing events pack in the crowds at local watering holes. To enhance the atmosphere in bars and restaurants, Music Choice™ offers diverse tunes for every taste with 40 commercial-free audio channels by music format. DIRECTV Commercial is expanding business by exploring strategic partnerships that can help us take advantage of the tremendous growth opportunity in this market.

A SPECIAL THANKS

For supporting our annual



CHARITY *Golf* CLASSIC

January 5, 1999

SPONSORS

Campbell-Ewald Communications
Comedy Central
Digivision
Discovery Networks
Disney Channel
Encore
ESPN
Four Square Productions

FOX Sports Direct
GM Event Works
The Golf Channel
Hughes Network Systems
IFC
Lifetime
MTV Networks
MuchMusic

NFL Enterprises
NHL
Playboy TV
Pollack Ginsberg Productions
Scripps Network
Turner Home Satellite
USA Networks
The Weather Channel

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DIRECTV

LOOKING TOWARDS THE FUTURE

.9.9

USER ID: PRIN1111
DATE: 4/25/02 TIME: 9:11:43 PM
CONFIDENTIAL

DOCUMENT SEPARATOR SHEET

Print Batch Document #: 1

Hughes

Company Update

Todd B. Ernst
Dan Thomasson

(212) 778-1449
(212) 778-8272

Rating: **STRONG BUY** (Moderate Risk)

- ☐ February DirecTV sub additions are strong; raising sub estimates for the quarter.
- ☐ Lowering 1Q99 EPS estimates from \$0.11 to \$0.08 to account for higher sub additions.
- ☐ Reiterate Strong Buy and \$58 12-month price target.

GMH (48)—NYSE

March 12, 1999

	Earnings Per Share Fiscal Year Ending			P/E 12/99E	Ind. Div.	Yield	Shares O/S (Mil.)	52- Week Range
	12/98	12/99E	12/00E					
New	\$0.41	\$0.61	\$1.09	NM	—	—	399.9	58-30
Old		0.64						

DJIA: 9897.40

S&P 500: 1297.65

PSI Aerospace & Defense Index: 1177.02

Priced as of the close, March 11, 1999.

Note: We calculate market-cap-weighted performance for the index shown on a total-return basis from 1979. Most Prudential Securities Incorporated indexes (for about 200 industries in 12 economic sectors) are also segmented by small-, mid-, and large-cap stocks. For more information regarding these indexes and their composition please contact your Prudential Securities representative.

DirecTV Subscriber Adds Are Strong In February; An Early Look At DirecTV With Primestar; Reiterate Strong Buy

Hughes Electronics, based in El Segundo, CA, is a \$6 billion (in 1998 revenues) vertically integrated company that manufactures satellites, ground station equipment, and terrestrial wireless networking products for government and commercial customers. The company also provides commercial space services such as transponder leasing through its PanAmSat affiliate and satellite-based home entertainment programming under the DirecTV brand.

- ☐ We are adjusting our first-quarter estimate from \$0.11 to \$0.08 to reflect higher than expected DirecTV subscriber growth leading to increased sub acquisition costs. Higher sub growth should drive increased long-term value for GMH shareholders.
- ☐ Uncertainty surrounds closure of the Primestar transaction, though we still expect the separate Tempo transaction to close.
- ☐ Our 12 month target price is \$58, based on a sum-of-the-parts valuation.

Based on newly released subscriber numbers, we have boosted our first quarter 1999 subscriber estimate which, in turn, has caused us to adjust our EPS projections. However, we point out that in our view, current earnings are not overly helpful in assessing the operating performance of DirecTV—subscriber growth is key, in our view. We have lowered our estimate from \$0.11 to \$0.08 for the quarter. For all of 1999, we are lowering our EPS estimate from \$0.64 to \$0.61, though we are keeping our 2000 estimate at \$1.09. Please note that these numbers include the USSB

transaction, the closure of which we feel is imminent, but not the Primestar transaction, the outcome of which is still uncertain.

We Continue To Like The Hughes Story. We are recommending that clients acquire Hughes shares as we believe there could be 25% upside in the shares over the next twelve months. Our optimism is based on the following:

- ☐ *Growth*—we expect 10%-12% revenue growth in 1999 and 40%-50% EPS growth driven in large part by the company's position in the rapid growth space services business.
- ☐ *Competitive Position*—Hughes is the leading Geosynchronous satellite manufacturer, and is the largest commercial fixed space services provider, has leading share of the U.S. direct to home television programming market, and the largest ground station (VSAT) provider. A strong market position in growth markets bodes well for price appreciation, in our view.
- ☐ *Visibility*—Hughes's satellite manufacturing segment has a 39 satellite backlog (including AMPT satellites) valued at nearly \$4 billion. Hughes space services [PanAmSat (SPOT—37 3/4, rated Strong Buy)] has a \$6.3 billion backlog.
- ☐ *Diversification*—Hughes participates in a wide range of space business segments from hardware to service, reducing overall market risk.

DirecTV Reports Strong February Subscriber Numbers. We have adjusted our first quarter projections due predominantly to Hughes' success in acquiring new DirecTV subscribers to date. In February 1999, DirecTV added approximately 93,000 subs versus 71,000 in 1998. Year to date, DirecTV has added 184,000 subs. Our original first quarter projection was 225,000 subs, an amount which we are now confident DirecTV will greatly exceed, given the latest sub report and the fact that DirecTV is implementing an aggressive, new marketing campaign beginning in mid-March. As a result, we have raised our 1999 first quarter estimate to 285,000 subs (this compared to 227,000 actual subs in 1998). The increased projection, in turn, results in nearly \$25 million of additional subscriber acquisition cost (\$425 per sub), which is partially offset by an upward revision in satellite manufacturing operating profit and expected interest income. The net result is a \$0.03 hit to EPS for the first quarter. While the increase in sub estimates increases sub acquisition costs and lowers net income, we view this as a positive for Hughes because each sub is valued at about \$2,300 and only costs the company \$425 to acquire, suggesting that each additional sub adds considerable value to the DirecTV franchise.

A key point here is that the DBS industry continues to add subscribers at a phenomenal rate. In our view, continued growth further reinforces the value of DirecTV bolstering its competitive position by acquiring Primestar and, more importantly, we think, the Tempo high-powered orbital assets. A more competitive DirecTV in the rapidly growing DBS market improves Hughes overall growth prospects, which is and has been one of the main reasons why we like GMH stock. Upon the consummation of the Tempo transaction, DirecTV should be well positioned (with up to 370 channels) to compete in a "two horse race" with Echostar's (DISH—60, not rated) newly increased capacity (up to 500 channels). The Tempo assets should also afford Hughes the capacity needed to provide local-to-local programming in select markets, if it becomes legal and economical to do so, though the company still maintains that an off-air antenna is the preferable means to acquire a local signal. Local-to-local capacity, we think, will be of increasing value in 1999 as Congress mulls over the idea of allowing DBS to provide local programming, which is illegal at this time.

Hughes has also indicated that Galaxy Latin America (GLA), its Latin and South American satellite programming business, is on-track to greatly exceed 1998 first quarter subscriber growth, due mainly to changes (particularly in marketing) the company has made to its Mexico franchise, which it now fully owns. Accordingly, we have increased our

sub acquisition estimate for the first quarter, raising our estimate to 65,000 subs from 55,000 subs (compared to 38,000 new subs in first quarter, 1998). This change did not have a material effect on EPS.

The Competition Is Fierce. Of concern, Echostar added 103,000 subs in the February (on top of 100,000 in January), outdoing Hughes for the second consecutive month. Echostar has been aggressively (and successfully) marketing its services, offering free equipment (via a rebate) in exchange for a one year service commitment. This is of concern because such success may force Hughes to more aggressively market DirecTV, which potentially could lead to an increase in the sub acquisition costs—though we have not factored an increase into our model. However, we feel that DirecTV's new marketing program will likely close the gap between the two companies in early second quarter 1999. Of note, Echostar's strong subscriber additions in the past two quarters may be a benefit to Hughes in that it may obviate any regulatory concerns over the DBS industry competitive environment as Hughes attempts to acquire Primestar and the Tempo assets.

Primestar Transaction Less Certain. The Primestar tender offer for outstanding bonds was extended to March 15, 1999 after the initial offer period expired without yielding the necessary majority of bondholders to approving the company's sale to DirecTV. *If DirecTV is unable to close the transaction by the end of April, it will have the option to walk away, which is a very real risk.* The acquisition process is complicated by the fact that Charlie Ergen, CEO of Echostar, DirecTV's primary satellite programming challenger, has obtained over 10% ownership of outstanding Primestar bonds (it takes 90% or more of bondholders to approve a deal). We believe this is a tactic to delay DirecTV's acquisition of Primestar, allowing Echostar more time and opportunity to poach Primestar subs before they can be converted to DirecTV. To this end, Echostar has initiated a marketing campaign designed to attract Primestar subs, offering them free installation and hardware if subs sign up for a year of service. It is not yet clear the extent to which Echostar has been successful in penetrating the Primestar sub base.

However, the Tempo part of the transaction (i.e., high power orbital slots and satellites) is separate and independent of the Primestar bondholder issue. We still expect this transaction to close shortly after mid-year 1999. The FCC comment period (where it hears arguments regarding the potential affects of a proposed acquisition on the industry's competitive environment) is now open, but will expire on April 2 after which it will likely take three to six months for the government to reply with a decision (Echostar has lodged a complaint to preclude DirecTV from acquiring the high power slots to which DirecTV may rebut).

Valuation. Our 12-month target price for Hughes is \$58. We arrived at this price using a sum-of-the-parts valuation. We valued DirecTV using a \$2,300 per sub value (pre-Primestar) in 2000. For the other businesses, we have used enterprise value to 2000 EBITDA multiples: 11 times for Satellite Services, 8.5 times EV/EBITDA for satellite systems, and 7.5 times EV/EBITDA for Hughes Network Systems. See Appendix 3 for further details.

A Pro Forma DirecTV/USSB/Primestar—Let's Take A Look At The Numbers. As we have mentioned in our previous notes, we believe that the combination of DirecTV, USSB (USSB—16 5/8, not rated) and Primestar will yield a powerful multi-channel competitor. After reviewing the terms of the transactions and making assumptions about the DirecTV subscriber addition and Primestar sub conversion rates, we were able to produce a detailed pro forma model of a post-closing DirecTV environment.

Our EPS Estimates Likely Will Come Down Once We Include Primestar. Keep in mind that we are *not* changing our EPS estimates of \$0.61 for 1999E and \$1.09 for 2000E at this time. These estimates include the USSB transaction, which we feel is imminent, but do not include Primestar, of which we are optimistic—although less certain—of closing.

If we were to include Primestar in our model, our EPS estimates likely would fall to \$0.56 in 1999 and \$1.03 in 2000. Below, we outline our assumptions regarding DirecTV new sub additions and the conversion rate for Primestar subscribers. Based on the aforementioned assumptions and assuming the transactions close by the beginning of third quarter 1999, we arrived at a total revenue of \$3.1 billion for 1999 and \$4.3 billion for 2000 based on an end of year sub count 6.2 million and 7.9 million subscribers, respectively. In this environment, operating profits total \$47.1 million and \$314.5 million in 1999 and 2000, respectively. We have assumed that converted Primestar subs generate a \$43 average revenue per user (ARPU) and that new DirecTV subs adds generated a \$54 ARPU (we have assumed National Rural Telecommunications Cooperative (NRTC) subs have a \$3.50 ARPU). See Appendixes 5, 6, and 7 for the comparison of DirecTV/USSB with and without Primestar.

Appendix 1. Hughes Electronics—Sales And Earnings Projections, 1996-2000E

(Dollars in millions)

	1996	1997	1998	1999E	2000E
Revenue					
Direct-To-Home	\$621	\$1,277	\$1,816	\$2,733	\$3,712
% Change	n/a	106%	42%	50%	36%
Satellite Services	\$483	\$630	\$767	\$1,058	\$1,292
% Change	n/a	30%	22%	38%	22%
Satellite Systems	\$2,056	\$2,492	\$2,831	\$2,900	\$3,120
% Change	n/a	21%	14%	2%	8%
Network Systems	\$1,070	\$1,011	\$1,077	\$1,150	\$1,210
% Change	n/a	-5%	6%	7%	5%
Eliminations & Allocations	(\$221)	(\$282)	(\$527)	(\$785)	(\$940)
Total Revenue	\$4,009	\$5,128	\$5,964	\$7,056	\$8,393
% Change	n/a	28%	16%	18%	19%
Operating Profits					
Direct-To Home	(\$320)	(\$255)	(\$224)	(\$101)	\$174
% Change	n/a	-20%	-12%	-55%	-272%
Satellite Services	\$242	\$294	\$318	\$461	\$633
% Change	n/a	21%	8%	45%	37%
Satellite Systems	\$183	\$226	\$246	\$258	\$275
% Change	n/a	23%	9%	5%	7%
Network Systems	\$108	\$74	\$11	\$70	\$77
% Change	n/a	-31%	-85%	542%	-10%
HCI/Broadband	n/a	(\$20)	(\$25)	(\$50)	(\$50)
Eliminations, Allocations & Other	(\$4)	(\$16)	(\$56)	(\$125)	(\$134)
Operating Profit	\$210	\$304	\$271	\$513	\$975
% Change	n/a	13%	-23%	60%	60%
Oper. Margin (%)	5.2%	5.9%	4.5%	7.3%	11.6%
Hughes Amort. of GM Purchase	(\$21)	(\$21)	(\$21)	(\$21)	(\$21)
Interest Exp.	(\$43)	(\$91)	(\$18)	(\$83)	(\$133)
Interest Income	\$7	\$33	\$112	\$78	\$12
Other Income	(\$51)	(\$99)	(\$153)	(\$155)	(\$125)
Pretax Income	\$101	\$126	\$191	\$332	\$707
Pretax Margin (%)	2.5%	2.5%	3.2%	4.7%	8.4%
Income Tax	\$65	\$63	\$74	\$126	\$269
Tax Rate (%)	64.1%	49.8%	38.7%	38.0%	38.0%
Minority Interest	\$53	\$25	\$24	\$22	\$3
Add Back GM Amortization	\$21	\$21	\$21	\$21	\$21
Net Income before Disc. Ops.	\$110	\$109	\$163	\$250	\$462
Discontinued Ops.	(\$7)	\$1	\$0	\$0	\$0
Earnings Before Nonrecurring	\$103	\$110	\$163	\$250	\$462
% Change	n/a	7%	47%	54%	85%
After Tax Nonrecurring	\$81	\$361	\$0	\$0	\$0
Net Income	\$183	\$471	\$163	\$250	\$462
% Change	n/a	157%	-65%	54%	85%
Fully Diluted EPS b/f Nonrecurring	\$0.26	\$0.28	\$0.41	\$0.61	\$1.09
% Change	n/a	7%	47%	49%	80%
Nonrecurring Per Share	\$0.20	\$0.90	\$0.29	\$0.00	\$0.00
Fully Diluted Reported EPS	\$0.46	\$1.18	\$0.70	\$0.61	\$1.09
% Change	n/a	157%	-41%	-13%	80%
Shares (Millions)	399.9	399.9	399.9	411.3	422.7

Source: Company data; Prudential Securities estimates.

Appendix 2. Hughes Electronics Cash Flow Analysis, 1996-2000E

(Dollars in millions)

	1996	1997	1998	1999E	2000E
Operations:					
Net Income	\$163	\$451	\$163	\$250	\$462
Depr. & Amort.	\$195	\$246	\$367	\$410	\$425
Amort. of Goodwill PAS	\$0	\$50	\$67	\$67	\$67
Gains on Sale of Assets	(\$120)	(\$490)	(\$14)	\$0	\$0
Deferred Tax	\$92	\$286	\$153	\$200	\$200
Change in Working Cap.	\$55	(\$506)	\$125	(\$50)	(\$200)
All Other	(\$37)	(\$46)	(\$104)	(\$100)	(\$100)
From Cont. Operations	\$346	(\$9)	\$756	\$777	\$854
Discontinued Operations	(\$8)	(\$16)	\$0.0	\$0.0	\$0.0
Cash From Operations	\$338	(\$24)	\$756	\$777	\$854
Capex	(\$262)	(\$251)	(\$311)	(\$600)	(\$545)
Increase in Satellites ²	(\$192)	(\$634)	(\$1,100)	(\$1,160)	(\$300)
Free Cash Flow	(\$115)	(\$909)	(\$655)	(\$983)	\$9
From Other Investing					
Investment in companies	(\$32)	(\$1,637)	(\$1,240)	(\$800)	(\$350)
Other	\$404	\$290	\$399	\$0	\$0
Cash From Other Investing	\$372	(\$1,347)	(\$841)	(\$800)	(\$350)
Financing					
Debt	\$0	(\$503)	\$141	\$1,000	\$0
Contributions from Parent	(\$280)	\$1,124	(\$205)	\$0	\$0
Capital Proceeds from Hughes	\$0	\$4,393	\$0	\$0	\$0
Cash From Financing	(\$280)	\$5,014	(\$64)	\$1,000	\$0
Change in Cash	(\$23)	\$2,758	(\$1,560)	(\$783)	(\$341)
Cash & Cash Equivalents	(\$15)	\$2,743	\$1,183	\$400	\$59
Capitalization					
Long-Term Debt	\$0	\$638	\$935	\$1,935	\$1,935
Shareholders' Equity	\$2,492	\$8,312	\$8,382	\$8,632	\$9,094
Total Capitalization	\$2,492	\$8,949	\$9,317	\$10,566	\$11,029
T. Debt/T. Capital	0.0%	7.1%	10.0%	18.3%	17.5%
Total Assets	\$4,416	\$12,763	\$13,435	\$14,250	\$14,800
Goodwill	\$468	\$2,955	\$3,552	\$3,485	\$3,418
Return on Average Equity	n/a	8.3%	1.9%	2.9%	5.2%
Return on Average Total Assets	n/a	3.5%	2.1%	3.7%	6.7%
Operating ROA ¹	n/a	3.4%	2.9%	4.9%	8.8%
Asset Turnover	n/a	0.60	0.46	0.51	0.58
Financial Leverage	n/a	20.0	14.4	7.4	7.6
Free Cash per Share	(\$0.29)	(\$2.27)	(\$1.64)	(\$2.39)	\$0.02
% Change	n/a	692.6%	-28.0%	46.0%	-100.9%
EBITDA	\$404	\$600	\$705	\$990	\$1,467
% Change	n/a	48.5%	17.4%	40.5%	48.1%
EBITDA per share	\$1.01	\$1.50	\$1.76	\$2.41	\$3.47
% Change	n/a	49%	17%	37%	44%

¹ EBIT (1-tax rate)/(Total Debt+Total Equity)

² Includes exercise early buyout options for PanAmSat in 1998 and 1999

Source: Company data; Prudential Securities estimates.

Appendix 3. A Blended Multiple Implies That GMH Shares Will Appreciate Substantially

(Dollars in millions)

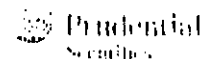
Direct to Home	1999E	2000E
DirectTV ¹	\$7,396	\$10,294
NRTC Subs	\$263	\$357
Galaxy Latin America ²	\$623	\$999
Direct To Home Valuation	\$8,282	\$11,650
Satellite Services		
PanAmSat Op. Income	\$461	\$633
Depreciation & Amortization	\$298	\$352
EBITDA	\$759	\$985
Assumed Multiple	11.0	11.0
Satellite Services Valuation	\$8,351	\$10,840
Hughes %	81%	81%
Satellite Services Valuation	\$6,765	\$8,780
Satellite Manufacturing		
Operating Income	\$258	\$275
Depreciation & Amortization	\$53	\$65
EBITDA	\$311	\$340
Assumed Multiple	8.5	8.5
Satellite Manufacturing Valuation	\$2,644	\$2,890
Hughes Network Services		
Operating Income	\$70	\$77
Depreciation & Amortization	\$45	\$50
EBITDA	\$115	\$127
Assumed Multiple	7.5	7.5
Hughes Network Services Valuation	\$863	\$953
Total Enterprise Value	\$18,552	\$24,273
Less:		
Total Hughes Debt	(\$935)	(\$1,802)
Plus:		
Cash	\$1,183	\$560
Investments	\$190	\$228
Target Market Value	\$18,991	\$23,258
Shares Outstanding (Primary, millions)	411.3	422.7
	\$46	\$55
Discount	-5%	-5%
Target Price	\$49	\$58

Source: Company data; Prudential Securities estimates.

Appendix 4. Hughes Electronics Segment Overview

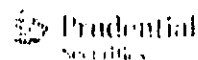
Principal Business	Products/Projects	Geographic Markets Served	Major Competitors	Primary Customer Base	1998 Sales (\$ Mil.)	1998 Oper. Margin
Direct-To-Home					\$1,816	-12.3%
DirecTV	n/a	United States	Echostar, Primestar Cable Companies	U.S. consumers, MDUs, Bars, Restaurants	\$1,671	n/a
Galaxy Latin America	n/a	Latin America South America	Sky	Consumers	\$145	n/a
DirecTV Japan	n/a	Japan	SkyPerfectTV	Consumers	n/a	n/a
Satellite Services					\$767	41.5%
PanAmSat	Transponder Leasing	Global	Loral Skynet, Loral Orion, Loral SatMex, Intelsat, GE Americom	Multinational Corps. Broadcasters, Telcos	\$767	41.5%
Satellite Manufacturing					\$2,831	8.7%
Satellite Manufacturing	Commercial GEO, Gov't, and Scientific Satellites	Global	Loral, Lockheed Martin, Boeing, Matra Marconi	DBS Providers, Transponder Leasing, GEO/MEO Wireless Voice, Telcos	\$2,831	8.7%
Hughes Network Systems					\$1,150	1.0%
Private Networks	VSAT, DirecPC, Consulting Services	Global	Gilat, GE Americom Loral Orion, Loral Skynet	Retailers, Multinational Corps., Broadcasters	\$630	
Wireless Telecom	Wireless Infrastructure, Handsets, Mobile Equip.	Global	Lucent, California Microwave	Wireless Telcos, Large Corporations	\$200	
Networking	Switches, Network Mgt. Equipment	Global	Lucent, Cisco	Large Corporations	\$210	

Source: Company data, Prudential Securities estimates.


Appendix 5. DirectTV/USSB U.S. Quarterly Subscriber Acquisition and Financial Performance

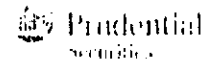
	1Q99E	2Q99E	3Q99E	4Q99E	1999E	1Q00E	2Q00E	3Q00E	4Q00E	2000E
Gross DirectTV	432	432	486	576	1925	401	427	504	604	1937
Net DirectTV Sub Adds	285	275	320	400	1280	225	230	300	390	1145
Net Total Subs	4,743	5,018	5,338	5,738	5,738	5,963	6,193	6,493	6,883	6,883
Average Subs	4,601	4,881	5,178	5,538	5,098	5,651	6,078	6,343	6,688	6,311
% NRTC Subs	21%	22%	22%	22%	22%	22%	22%	22%	22%	22%
%DirectTV Subs	79%	78%	78%	78%	78%	78%	78%	78%	78%	78%
NRTC Subs	966	1,074	1,139	1,218	1,218	1,243	1,337	1,395	1,471	1,471
Direct Subs	3,634	3,807	4,039	4,320	4,320	4,407	4,741	4,948	5,217	5,217
Royalty Per Sub-NRTC	\$3.5	\$3.5	\$3.5	\$3.5	\$3.5	\$4.0	\$4.0	\$4.0	\$4.0	\$4.0
ARPU	\$46	\$46	\$55	\$55	\$50.3	\$55	\$55	\$55	\$55	\$55.0
DirectTV Revenues	\$496,095	\$519,627	\$666,409	\$712,741	\$2,394,871	\$727,219	\$782,239	\$816,344	\$880,746	\$3,186,548
NRTC Revenues	\$10,144	\$11,274	\$11,961	\$12,793	\$46,172	\$14,917	\$16,046	\$16,746	\$17,656	\$65,365
Total Revenues	\$506,239	\$530,901	\$678,370	\$725,533	\$2,441,043	\$742,137	\$798,285	\$833,090	\$898,402	\$3,251,913
Sub Acq. Cost/Sub	\$425	\$425	\$465	\$465	\$445	\$465	\$465	\$465	\$465	\$465
Total Sub Acq Costs	\$145,082	\$143,049	\$176,125	\$208,971	\$673,227	\$145,499	\$154,793	\$182,935	\$219,168	\$702,394
Programming Costs	\$223,243	\$233,832	\$299,884	\$320,733	\$1,077,692	\$327,249	\$352,007	\$367,355	\$387,336	\$1,433,946
Customer Care Costs	\$49,609	\$51,963	\$66,641	\$71,274	\$239,487	\$72,722	\$78,224	\$81,634	\$86,075	\$318,655
Broadcast Ops	\$24,805	\$25,981	\$29,988	\$32,073	\$112,848	\$36,361	\$35,201	\$35,103	\$37,012	\$143,677
Business Operations	\$19,844	\$20,785	\$26,656	\$28,510	\$95,795	\$29,089	\$31,290	\$32,654	\$34,430	\$127,462
Bad Accounts/Other	\$17,363	\$18,187	\$23,324	\$24,946	\$83,820	\$25,453	\$27,378	\$28,572	\$30,126	\$111,529
Depreciation/Amortization	\$25,000	\$25,000	\$38,200	\$38,200	\$126,400	\$38,200	\$38,200	\$38,200	\$38,200	\$152,800
Total Direct Operating Profit	(\$8,851)	\$830	\$5,590	(\$11,967)	(\$14,398)	\$52,648	\$65,146	\$49,892	\$28,399	\$196,065
Total NRTC Operating Profit	\$10,144	\$11,274	\$11,961	\$12,793	\$46,172	\$14,917	\$16,046	\$16,746	\$17,656	\$65,365
Net Operating Profit	\$1,293	\$12,104	\$17,551	\$826	\$31,774	\$67,565	\$81,192	\$66,637	\$46,055	\$261,450
Net Operating Profit Margin	0.3%	2.3%	2.6%	0.1%	1.3%	9.1%	10.2%	8.0%	5.2%	8.0%
EBITDA	\$26,293	\$37,104	\$55,751	\$39,026	\$158,174	\$105,765	\$119,392	\$104,837	\$84,255	\$414,250
Total Sub Acq Costs	29.2%	27.5%	26.4%	29.3%	28.1%	20.0%	19.8%	22.4%	25.5%	22.0%
Programming Costs	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%
Customer Care Costs	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Broadcast Ops	5.0%	5.0%	4.5%	4.5%	4.5%	5.0%	4.5%	4.3%	4.3%	4.5%
Business Operations	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Bad Accounts/Other	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Depreciation	5.0%	4.8%	5.7%	5.4%	5.3%	5.3%	4.9%	4.7%	4.4%	4.6%
DirectTV Operating Margins	-1.8%	0.2%	0.8%	-1.7%	-0.6%	7.2%	8.3%	6.1%	3.3%	6.2%

Source: Company reports, Prudential Securities estimates.


Appendix 6. Pro Forma DirecTV U.S. Quarterly Subscriber Acquisition and Financial Performance

Revenues (thousands)	1Q99E	2Q99E	3Q99E	4Q99E	1999E	1Q00E	2Q00E	3Q00E	4Q00E	2000E
DIRECTV/USSB:										
Gross DirecTV	432	432	546	618	2027	478	513	598	675	2264
Net DirecTV Sub Adds	285	275	380	440	1380	300	310	385	450	1445
Net Total Subs	4,743	5,018	5,398	5,838	5,838	6,138	6,448	6,833	7,283	7,283
Average Subs	4,601	4,881	5,208	5,618	5,148	5,768	6,293	6,641	7,058	6,561
% Avg. NRTC Subs	21%	21%	21%	21%	21%	21%	21%	21%	21%	22%
% Avg. DirecTV Subs	79%	79%	79%	79%	79%	79%	79%	79%	79%	78%
Average NRTC Subs	966	1,025	1,094	1,180	1,081	1,211	1,322	1,395	1,482	1,443
Average Direct Subs	3,634	3,856	4,114	4,438	4,067	4,557	4,971	5,246	5,576	5,117
Royalty Per Sub NRTC	\$3.5	\$3.5	\$3.5	\$3.5		\$3.5	\$3.5	\$3.5	\$3.5	
ARPU	\$46	\$46	\$54	\$54		\$54	\$54	\$54	\$54	
DirecTV Revenues	\$486,095	\$526,289	\$666,520	\$718,992	\$2,407,895	\$738,189	\$805,378	\$849,851	\$903,283	\$3,296,701
NRTC Revenues	\$10,144	\$10,762	\$11,484	\$12,388	\$44,777	\$12,718	\$13,876	\$14,642	\$15,563	\$56,800
DirecTV/USSB Revenues	\$506,239	\$537,050	\$678,003	\$731,379	\$2,452,672	\$750,907	\$819,254	\$864,493	\$918,846	\$3,353,501
PRIMESTAR:										
Calculated Gross Primestar Sub Adds (000)			0	0	0	0	0	0	0	0
Net Primestar Sub Adds (000)			0	0	0	0	0	0	0	0
Net Total Subs (000)			2,085	1,719	1,719	1,375	1,080	848	653	653
Average Subs (000)			2,085	1,902	2,199	1,547	1,228	964	750	1,122
Conversion rate			2.5%	3.2%	2.9%	4.0%	4.5%	4.5%	5.0%	4.5%
Monthly Churn			2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
ARPU (w/o box rental)			\$43	\$43	\$43	\$43	\$43	\$43	\$43	\$43
Total Programming Revenues			265,860	242,491	508,352	197,232	156,510	122,892	95,684	572,317
Total Box Rental Revenues			82,555	57,057	119,612	46,407	36,826	28,916	22,514	134,663
Installation Revenues			0	0	0	0	0	0	0	0
Primestar Revenues			\$328,416	\$299,548	\$627,964	\$243,639	\$193,336	\$151,807	\$118,197	\$706,980
CONVERTED SUBS:										
Gross Primestar Conversion Subs (000)			185.0	200.2	385.2	206.2	185.7	145.8	127.2	664.8
Cumulative Net total converted subs			185.0	374.1	374.1	557.9	710.1	818.6	904.0	904.0
Average Cumulative Net converted subs			92.5	279.6	187.1	466.0	634.0	764.3	861.3	639.1
NRTC %			21%	21%	21%	21%	21%	21%	21%	22%
DirecTV%			79%	79%	79%	79%	79%	79%	79%	78%
NRTC conversion revenue			\$204	\$616	\$820	\$1,028	\$1,398	\$1,685	\$1,899	\$6,010
DirecTV conversion revenue			\$9,319	\$28,160	\$37,478	\$46,938	\$63,858	\$76,987	\$86,753	\$274,536
Monthly churn			2.0%	2.0%	2.0%	2.0%	2.0%	1.8%	1.7%	1.9%
Total Revenue	\$506,239	\$537,050	\$1,015,942	\$1,059,703	\$3,118,934	\$1,042,512	\$1,077,846	\$1,094,973	\$1,125,696	\$4,341,026

Source: Company data, Prudential Securities estimates.

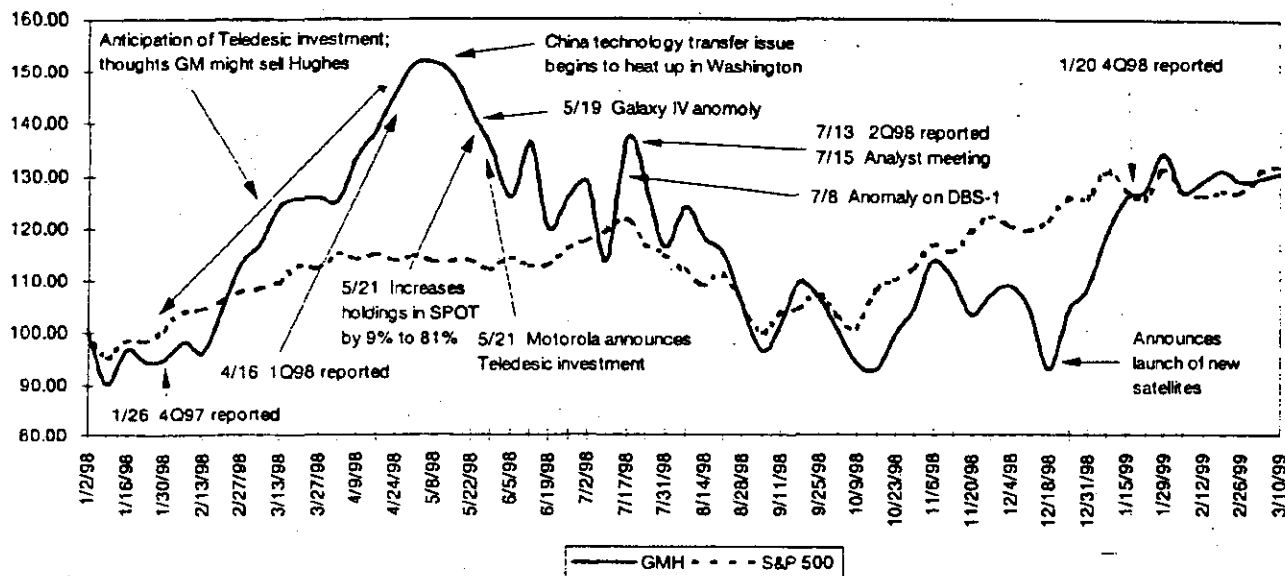

Appendix 7. Pro Forma DirecTV U.S. Quarterly Subscriber Acquisition and Operating Expenses

(thousands, except per-sub numbers)	1Q99E	2Q99E	3Q99E	4Q99E	1999E	1Q00E	2Q00E	3Q00E	4Q00E	2000E
DirecTV acquisition cost per sub	\$425	\$425	\$465	\$465	\$465	\$465	\$465	\$465	\$465	\$465
Primestar conversion cost per sub	n/a	n/a	\$425	\$425	\$400	\$425	\$425	\$425	\$425	\$400
DirecTV sub acq cost	145,082	144,883	200,424	227,072	717,460	175,643	188,287	219,596	248,141	831,666
Primestar conv. cost (not incl NRTC) ¹	n/a	n/a	23,120	25,012	48,132	25,769	23,198	18,215	15,891	83,073
Total Sub Acq Costs	\$145,082	\$144,883	\$223,544	\$252,084	\$765,592	\$201,411	\$211,484	\$237,811	\$264,032	\$914,739
Programming Costs	\$223,243	\$236,830	\$423,764	\$445,339	\$1,329,176	\$442,061	\$459,975	\$468,129	\$484,058	\$1,854,223
Customer Care Costs	\$49,609	\$52,629	\$95,518	\$101,304	\$299,061	\$97,982	\$99,444	\$102,515	\$106,658	\$406,600
Broadcast Ops	\$24,805	\$26,314	\$52,402	\$54,332	\$157,853	\$48,399	\$49,266	\$49,460	\$50,346	\$197,471
Business Operations	\$19,844	\$21,052	\$37,668	\$39,586	\$118,149	\$35,603	\$37,003	\$37,740	\$38,912	\$149,259
Bad Accounts	\$17,363	\$18,420	\$39,839	\$41,404	\$117,026	\$36,796	\$37,383	\$37,488	\$38,045	\$149,712
Depreciation	\$25,000	\$25,000	\$125,000	\$110,000	\$285,000	\$105,000	\$98,000	\$85,000	\$72,500	\$360,500
Total expenses	\$504,948	\$525,127	\$997,735	\$1,044,049	\$3,071,857	\$967,253	\$992,556	\$1,018,143	\$1,054,551	\$4,032,503
Total Direct Operating Profit	(\$8,851)	\$1,161	\$8,519	\$2,651	\$2,300	\$61,513	\$70,016	\$60,502	\$53,682	\$251,723
Total NRTC Operating Profit	\$10,144	\$10,762	\$11,688	\$13,004	\$45,597	\$13,746	\$15,274	\$16,328	\$17,462	\$62,810
Total Operating Profit	\$1,293	\$11,923	\$18,207	\$15,655	\$47,077	\$75,259	\$85,290	\$76,829	\$71,144	\$314,533
Programming Costs	44.1%	44.1%	41.7%	42.0%	42.6%	42.4%	42.7%	42.8%	43.0%	42.7%
Customer Care Costs	9.8%	9.8%	9.4%	9.6%	9.6%	9.4%	9.2%	9.4%	9.5%	9.4%
Broadcast Ops	4.9%	4.9%	5.2%	5.1%	5.1%	4.6%	4.6%	4.5%	4.5%	4.5%
Business Operations	3.9%	3.9%	3.7%	3.7%	3.8%	3.4%	3.4%	3.4%	3.5%	3.4%
Bad Accounts	3.4%	3.4%	3.9%	3.9%	3.8%	3.5%	3.5%	3.4%	3.4%	3.4%
Depreciation	4.9%	4.7%	12.3%	10.4%	9.1%	10.1%	9.1%	7.8%	6.4%	8.3%

¹ Assumes no agreement with NRTC and 75% of conversion costs are capitalized

Source: Company data, Prudential Securities estimates.

Appendix 8. GMH Has Had A Wild Ride Since The Beginning Of 1998



Source: Company reports, Prudential Securities estimates.

Prudential Securities Incorporated makes a primary over-the-counter market in the shares of PanAmSat Corp.
Prudential Securities Incorporated and/or its affiliates have managed or co-managed a public offering of securities for General Motors.

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